

ARAB STEEL FACTORY Company
S.A.E.
Financial Statements
As of December 31, 2000

ARAB STEEL FACTORY, S.A.E.BALANCE SHEETAs Of December 31, 2000

	<u>31-12-2000</u>	<u>31-12-2000</u>	<u>31-12-1999</u>
	<u>U.S.\$</u>	<u>L.E.</u>	<u>L.E.</u>
Long Term Assets			
Fixed Assets(Net)	596,603	2,243,228	223,667,627
Other Assets (Net)	-	-	19,594,401
Long Term Investments	31,914,894	120,000,000	124,000,000
Notes Receivable	50,989,361	191,720,000	-
Due From Affiliates	38,679,642	145,435,455	-
Time Deposits	41,227,890	155,016,865	139,333,505
Total Long Term Assets	<u>163,408,390</u>	<u>614,415,548</u>	<u>506,595,533</u>
Current Assets			
Inventory	-	-	97,847,319
Accounts Receivable (Net)	2,560,826	9,628,707	60,524,328
Notes Receivable	7,521,277	28,280,000	-
Debtors - Short Term Balances	165,797	623,395	95,313,867
Cash at Banks	12,611	47,418	529,262
Total current Assets	<u>10,260,511</u>	<u>38,579,520</u>	<u>254,214,776</u>
Current Liabilities			
Due to banks	4,354,527	16,373,020	47,983,190
Provisions	-	-	593,530
Notes Payable	1,338,725	5,033,605	827,745
Creditors - Short Term Balances	16,641	62,573	1,676,043
Bonds interest accrual	3,823,138	14,375,000	14,375,000
Total Current Liabilities	<u>9,533,031</u>	<u>35,844,198</u>	<u>65,455,508</u>
Working Capital	<u>727,480</u>	<u>2,735,322</u>	<u>188,759,268</u>
Total Investments	<u>164,135,870</u>	<u>617,150,870</u>	<u>695,354,801</u>
To be financed as follows:-			
Shareholders' Equity			
Issued and Paid - Up Capital	66,489,362	250,000,000	250,000,000
Legal Reserve	949,129	3,568,725	1,455,049
Retained Earnings	18,033,455	67,805,793	27,645,939
Net Loss For The Year	(21,577,257)	(81,130,487)	42,273,530
Total Shareholders' Equity	<u>63,894,689</u>	<u>240,244,031</u>	<u>321,374,518</u>
Long term Liabilities			
Due to Holding Company	31,648,936	119,000,000	119,000,000
Bonds	66,489,362	250,000,000	250,000,000
Notes Payable	2,102,883	7,906,839	4,980,283
Total Long Term Liabilities	<u>100,241,181</u>	<u>376,906,839</u>	<u>373,980,283</u>
Total Financing of Working Capital and Long Term Assets	<u>164,135,870</u>	<u>617,150,870</u>	<u>695,354,801</u>

*The accompanying notes are an integral part of the financial statements.**The auditor's report is attached.*

Note: Solely for the convenience of the reader, the translation Egyptian pounds into U.S dollars has been made at the rate of U.S.\$ 1.00 = LE. 3.76

ARAB STEEL FACTORY, S.A.E.
INCOME STATEMENT
For the Period From January 1 , 2000 To June 30, 2000

	<u>31-12-2000</u> <u>U.S.\$</u>	<u>31-12-2000</u> <u>L.E.</u>	<u>31-12-1999</u> <u>L.E.</u>
Net Sales	3,495,567	13,143,331	220,568,452
Cost of Goods Sold	(1,692,963)	(6,365,541)	(138,578,827)
<u>Less</u>			
Fixed Assets Depreciation	(1,130,362)	(4,250,160)	(19,170,941)
Pre-production Tests Amortization	(43,040)	(161,831)	(647,324)
Gross profit	<u>629,202</u>	<u>2,365,799</u>	<u>62,171,360</u>
<u>Less</u>			
General and Administrative Expenses	85,284	320,670	2,798,624
Financing Expenses	334,778	1,258,764	2,948,532
Fixed Assets Depreciation	256,485	964,382	1,026,500
Other assets amortization	5,168,237	19,432,570	2,771,680
Foreign Exchange Difference	149,126	560,716	102,546
Bonds interest	7,646,276	28,750,000	28,750,000
Management Fess Due to Holding Co.	3,639,628	13,685,000	-
Permenant Decline in Long Term Investment	1,063,830	4,000,000	-
Provision for Doubtful Account	23,670,213	89,000,000	-
Tax adjustments	1,278,918	4,808,731	-
Total expenses	43,292,775	162,780,833	38,397,882
<u>ADD:</u>			
Extraordinary gain	-	-	17,913,298
Credit Interest	4,197,796	15,783,712	-
Capital Gain	16,888,520	63,500,835	-
Miscellaneous Revenue	-	-	586,754
Net Loss For the Year	(21,577,257)	(81,130,487)	42,273,530

The auditor's report is attached.

Note: Solely for the convenience of the reader, the translation Egyptian pounds into U.S dollars has been made at the rate of U.S.\$ 1.00 = L.E. 3.76

Arab Steel Factory (S.A.E)Cash Flow StatementFor the period from 1-1-2000 to 31-12-2000

	<u>31-12-2000</u>	<u>31-12-2000</u>	<u>31-12-1999</u>
	<u>USS</u>	<u>L.E</u>	<u>L.E</u>
<u>Cash from operating activities</u>			
Net loss for the year	(21,577,257)	(81,130,487)	42,273,530
<u>Add</u>			
Depreciation of fixed assets	1,386,847	5,214,542	20,197,441
Amortization of other assets	5,211,277	19,594,401	3,419,004
Permanent decline in long term investments	1,063,830	4,000,000	-
Nonoperating capital gains	(16,888,520)	(63,500,835)	-
Provision for doubtful accounts	23,670,213	89,000,000	-
Net operating profits before change in working capital	(7,133,610)	(26,822,379)	65,889,975
Change in working capital	25,676,090	96,542,102	(28,041,672)
Net cash from operating activities	18,542,480	69,719,723	37,848,303
<u>Cash from investing activities</u>			
Change in fixed assets	74,391,141	279,710,692	(34,639,154)
Change in projects under construction	-	-	18,219,188
Change in other assets	-	-	(323,659)
Change in notes receivables - long term	(50,989,362)	(191,720,000)	-
Change in due from subsidiaries	(38,679,642)	(145,435,455)	-
Change in time deposits	(4,171,106)	(15,683,360)	(139,333,505)
Net cash from investing activities	(19,448,969)	(73,128,123)	(156,077,130)
<u>Cash from financing activities</u>			
Change in due to holding	-	-	119,000,000
Change in notes payable	778,339	2,926,556	2,161,268
Change in long term loans	-	-	(4,667,603)
Net cash from financing activities	778,339	2,926,556	116,493,665
Change in cash during the year	(128,150)	(481,844)	(1,735,162)
Cash at the beginning of the year	140,761	529,262	2,264,423
Cash at the end of the year	12,611	47,418	529,262

ARAB STEEL FACTORY, S.A.E
NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 2000

1 - The Company

Arab Steel Factory was incorporated in Egypt in December 1994 under the law No. 159 of 1981 and under Law No. 95 of 1992 and its executive regulations, with the purpose of manufacturing the steel billets.

2 - Significant Accounting Policies

The significant Accounting Policies adopted in the preparation of the financial statements are set out below.

a) Basis of preparation of Financial Statements:

The accounts are made on the basis of the historical cost in accordance with the Egyptian Accounting standards.

b) Foreign Currency Transactions

The company maintains its accounts in Egyptian pound. Transactions in foreign currency during the year are translated to Egyptian pound using the prevailing exchange rates. At year end monetary assets and liabilities are evaluated by the prevailing exchange rate at that date, foreign exchange difference are charged in the income statement.

c) Fixed Assets

Fixed Assets are recorded at their historical cost, and are depreciated using the straight-line method for their estimated productive lives according to the following ratios:

Vehicles	20%
----------	-----

d) Other Assets

Other Assets represents pre-opening expenses, these expenses represent costs incurred from formation till the starting date of activity. The outstanding balance of this cost has been fully amortized and changed to income statement in 2000.

General & Administrative Expenses

General & Administrative Expenses for the period for January 1, 2000 to December 31, 2000 amounted to L.E. 320,670 comprise the following:-

	<u>31-12-2000</u>	<u>31-12-2000</u>
	<u>L.E.</u>	<u>US\$</u>
Salaries and Wages	96,619	25,697
Travel Expenses	230	61
Tips	50	13
Miscellaneous	54	14
Social Insurance	3,360	894
Telephone & Fax	1,132	301
Stationary	416	112
Subscription	1,252	333
Security	20,047	5,333
Car Expenses	18,898	5,026
Medical Care	1,124	299
Cleaning Expenses	1,234	328
Audit Fees	30,000	7,979
Banks Charges	<u>146,254</u>	<u>38,894</u>
	<u>320,670</u>	<u>85,284</u>